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INTERNATIONAL NEWS

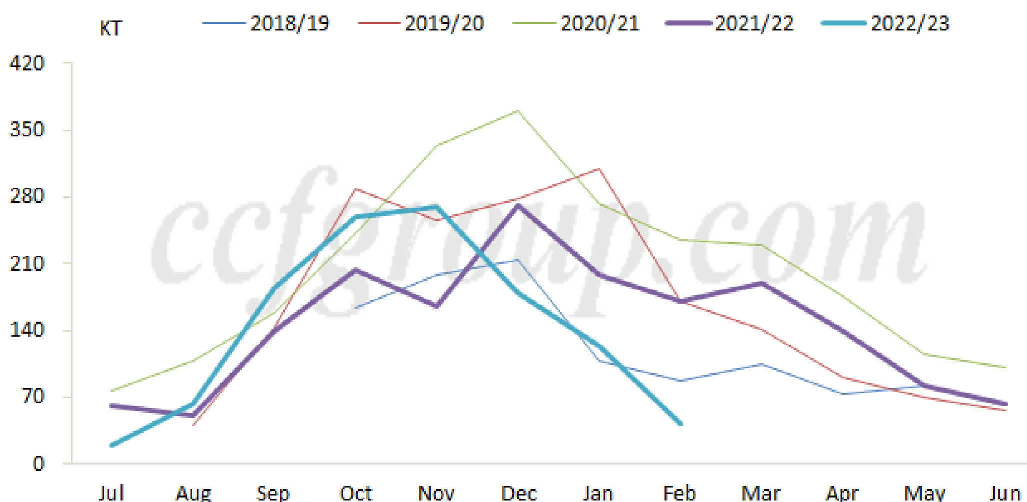
Brazilian cotton exports hit a new low in Feb, 2023

In Feb 2023, Brazilian cotton exports are 43kt, down 65.32% from Jan, down 73% from Feb 2022, and down 69.2% from the same period of prior five-year average, to hit a historical low. Moreover, combined with the exports of 2022/23 U.S. cotton, not only the demand in China is weak, but also the market outside China, like Southeast Asia, seeing the weak cotton consumption.

1. Brazilian cotton exports are lower than anticipated

According to the Feb report of CONAB, the forecast on 2022/23 Brazilian cotton production remains at 1.978 million tons, up 9.6% year on year, while down 4kt from prior three-year average. Exports are forecast to be high. But according to the export data by now, the exports are high first but then weaken. From Aug 2022 to Feb 2023, exports totaled 1.119 million tons, a fall of 80kt from the same period of previous year and down 600kt from 2020/21 season. The large decline of monthly exports is likely to be related with the foreign exchange reserves crisis of Pakistan, Turkish earthquake and difficulties in opening Letters of Credit in Bangladesh. To some extent, it also reflects that the cotton consumption outside China is on downside.

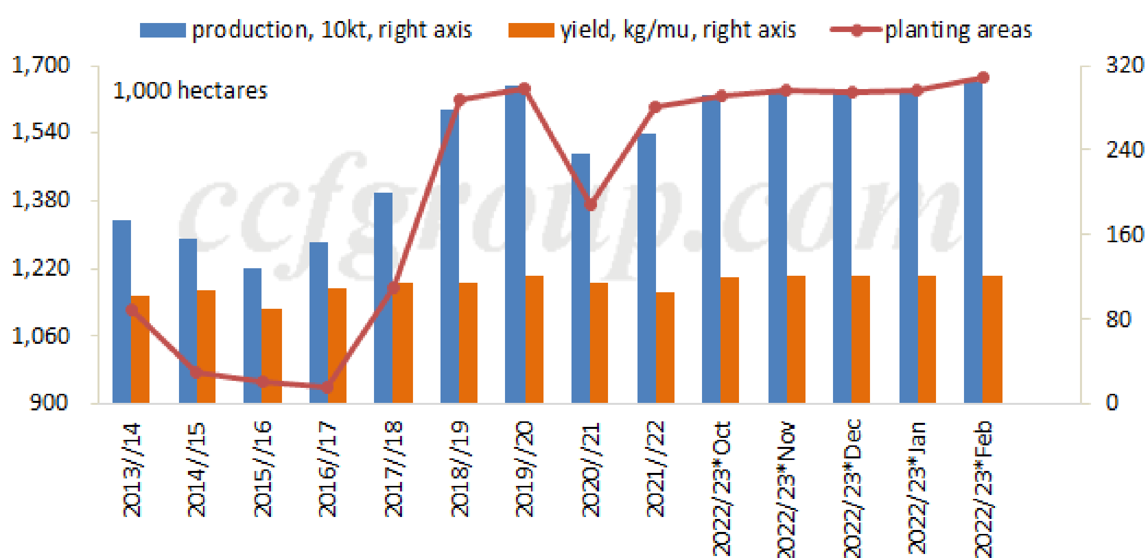
2. Competitive U.S. cotton exports are also low

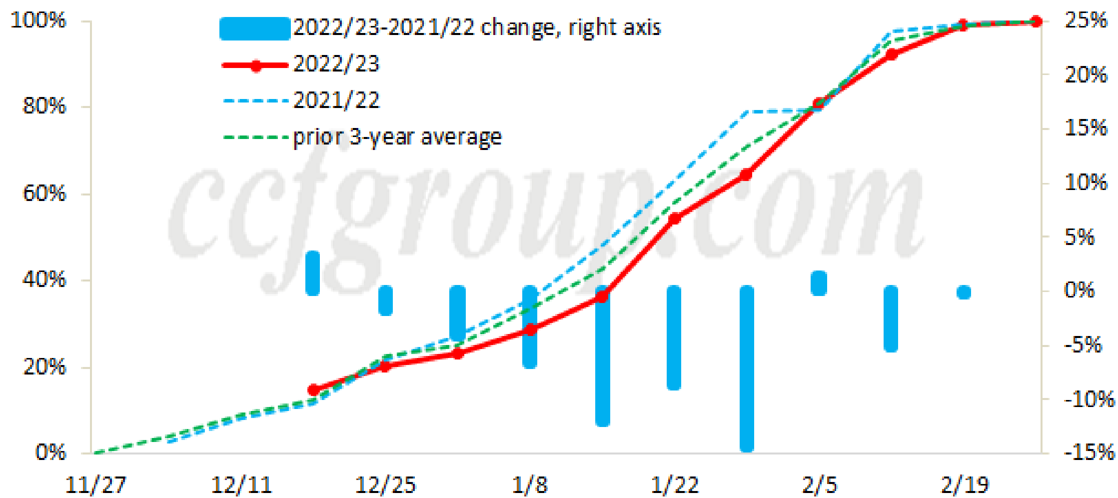


With the large reduction of Brazilian cotton and the competitive relationship with U.S. cotton, some market players wonder whether it is because of the lower U.S. cotton prices in recent two month and the high offers of Brazilian cotton. Viewed from the recent U.S. cotton weekly export sales, though the export sales reach 100kt to hit a marketing-year high by the week ending Feb 16, the data next week declines to 38.7kt. Based on the previous years' data, the U.S. cotton exports should warm up gradually in mid-Jan and reach the peak in mid-Feb, but this year, U.S. cotton exports see no obvious improvement, far lower than the same period of previous years. The import demand for cotton outside China is sluggish apparently, and the economic recession in Europe and U.S. restrains the global apparel consumption obviously.

3. Planting of Brazilian cotton ends, and 2023/24 season may be a bumper year further

According to CONAB, cotton planting was complete by Feb 25, and the planting developed well in Mato Grosso, reaching 99.6% by Feb 24. In its Feb report, planting areas are projected at 1.673 million hectares, to a record high. The planting is late in Mato Grosso and the yield may be impacted, but if the weather is normal later, Brazilian cotton production is still expected to be good. Nevertheless, based on current unsatisfied export data, the exports face selling pressure. Besides, local cotton prices fluctuate downward recently. If the selling pressure increases later and cotton prices move lower, international cotton prices may face upward pressure.





Currently, Chinese downstream market reflects that export orders are dull, and we also communicate with traders with overseas business, the export orders of Southeast Asia are also poor. Looking from the export data, the global cotton consumption is not favorable in traditional peak season outside China.

On supply side, the cotton planting ends in South Hemisphere, and speculative topic is only on the planting areas in North Hemisphere. U.S. cotton prospective planting areas will be released in end month, and market players expect the planting areas reduce by 20%. Meanwhile, the expectations of US Fed to raise the interest rate in Mar are strong and under the background of weak consumption, international cotton prices face upward pressure before end Mar.

Source: ccfgroup.com- Mar 07, 2023

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German manufacturing sector's new orders drop 10.9% YoY in Jan 2023

Germany’s real (price adjusted) new orders in manufacturing rose by 1.0 per cent on a seasonally and calendar adjusted basis in January 2023 compared with December 2022, as per the Federal Statistical Office (Destatis). Excluding large-scale orders, there was an increase of 2.9 per cent in January 2023. On a calendar adjusted basis, new orders were lower by 10.9 per cent year-on-year (YoY).

Domestic and foreign orders followed opposing trends in January 2023. While domestic orders dropped by 5.3 per cent on the previous month, foreign orders increased by 5.5 per cent. New orders from the euro area decreased by 2.9 per cent, while orders from the rest of the world increased by 11.2 per cent, Destatis said in a press release.

Orders in the intermediate goods sector decreased by 8.9 per cent compared with the previous month. New orders in the consumer goods sector declined by 5.5 per cent. After revision of the provisional results, new orders were 3.4 per cent higher in December 2022 than in November 2022 (provisional figure: 3.2 per cent).

According to provisional figures, real turnover in manufacturing (seasonally and calendar adjusted) increased by 0.2 per cent in January 2023 compared with December 2022. A revision of the provisional figures revealed a decrease of 1.5 per cent in December 2022 from November 2022 (provisional figure: -1.7 per cent). In January 2023, the calendar adjusted turnover was 0.4 per cent lower than in January 2022.

Source: fibre2fashion.com- Mar 08, 2023

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EU's volume of retail trade down 2.2% YoY in January 2023

The seasonally adjusted volume of retail trade in January 2023 decreased by 2.2 per cent year-on-year (YoY) in the European Union (EU) and by 2.3 per cent YoY in the euro area, according to estimates from Eurostat, the statistical office of the EU. Compared with December 2022, the calendar adjusted retail sales index increased by 0.3 per cent in both the euro area and the EU.

In December 2022, the retail trade volume decreased by 1.6 per cent in the EU and by 1.7 per cent in the euro area.

In the EU in January 2023, compared with December 2022, the volume of retail trade increased by 1.1 per cent for non-food products. In the euro area, the volume of retail trade increased by 0.8 per cent for non-food products, as per Eurostat.

Among member states for which data are available, the highest monthly increases in the total retail trade volume were registered in the Netherlands (4.9 per cent), Luxembourg (4.6 per cent) and Slovenia (4.1 per cent). The largest decreases were observed in Austria (9.8 per cent), Slovakia (1.4 per cent) and Hungary (0.6 per cent).

In January 2023, compared with January 2022, EU and euro area's retail trade volume decreased by 1 per cent for non-food products.

Among Member States for which data are available, the largest yearly decreases in the total retail trade volume were registered in Belgium (8.9 per cent), Germany (6.8 per cent), Denmark and Sweden (both 5.8 per cent). The highest increases were observed in Slovenia (18.5 per cent), Romania (5.8 per cent) and Malta (5.7 per cent).

Source: fibre2fashion.com- Mar 08, 2023

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USA: NRF: Expect 'Modest Gains' in Imports This Spring

Import cargo volume at top U.S. ports is set to inch up again in the coming months, as container shipments are still projected to have hit a near three-year nadir in February.

All major national ports covered by the Global Port Tracker handled a combined 1.81 million 20-foot equivalent units (TEUs) in January, down 16.5 percent year over year, but up 4.4 percent from December, marking the first month-over-month increase in container volume since August.

While January is the latest month for which final numbers are available, February's cargo forecast dropped to 1.56 million TEUs, down 13.6 percent from January and down an "unusually large" 26.2 percent from a year earlier, the report said. The February forecast is slightly lower than the tracker's previous projections, which called for 1.57 million TEUs.

That would make February 2023 the slowest month since 1.53 million TEUs were processed at top U.S. ports in May 2020, when many factories in Asia and most U.S. stores were closed due to the Covid-19 pandemic.

Since the beginning of the pandemic, only the 1.51 million TEUs recorded in February 2020 and 1.37 million TEUs in March 2020 have been lower. Expect February to remain the trough for at least the next few months into the summer, according to the Global Port Tracker, which is compiled by maritime trade consultancy Hackett Associates for the National Retail Federation (NRF).

"There are many uncertainties about the economy, but we expect imports to show modest gains over the next several months," said Jonathan Gold, vice president for supply chain and customs policy, NRF, in a statement. "Growth is a positive sign, but levels are still far below normal and retailers will remain cautious as they work to keep inventories in line with consumer demand."

Even without the impact of the pandemic, February is historically the slowest month of the year because of Lunar New Year factory shutdowns in Asia and retailers' lull between the holiday season and spring shopping. In February 2022, the impact of Lunar New Year was mitigated by congestion at U.S. ports that kept a supply of vessels waiting to unload,

resulting in an artificially large year-over-year comparison in the month just ended.

"Retailers are maintaining reduced inventories in anticipation of rebuilding with new seasonal stock once they have a clearer take on expected levels of consumer spending," said Ben Hackett, founder at Hackett Associates. "While import volumes remain low, the tight labor market and strong wages are helping consumers absorb the impact of inflation and continue to spend."

Beginning in March, imports are expected to climb each month at least through mid-summer, but remain below last year's levels. March is forecast at 1.74 million TEUs, down a projected 25.9 percent year over year, while April would be down 17.2 percent to 1.87 million TEUs.

Each of the following three months is expected to build on the last, with May coming in at an estimated 1.92 million TEUs processed at the ports, down 19.7 percent from year-ago totals. June is forecast at 2 million TEUs, the first time imports are expected to be that high since October 2022, but down 11.5 percent from last June. Ports are expected to accommodate 2.13 million TEUs worth of shipping containers in July, down 2.5 percent year over year.

The first half of the year is forecast at 10.9 million TEUs, down 19.5 percent from the first half of 2022. This pronounced drop compares with the relatively tiny gap seen in the prior two years—imports for 2022 totaled 25.5 million TEUs, down 1.2 percent from the annual record of 25.8 million TEUs set in 2021.

The Global Port Tracker compiles historical data and forecasts for the U.S. ports of Los Angeles, Long Beach, Calif., Oakland, Calif., Seattle and Tacoma, Wash. on the West Coast; New York/New Jersey, Virginia, Charleston, S.C., Savannah, Ga., Port Everglades, Fla., Miami and Jacksonville, Fla. on the East Coast, and Houston on the Gulf Coast.

Descartes Systems Group is backing up the stats from the Global Port Tracker, also indicating that February 2023 U.S. container import volumes plummeted on both a monthly and annual basis. Total containers tracked fell 16.2 percent from January 2023 to 1.73 mullion TEUs. Versus February 2022, TEU volume was down 25 percent, but only 0.3 percent lower than pre-pandemic February 2019.

“Examining imports from January and February in the previous six years, February 2023 volumes would have been expected to be significantly lower than January 2023,” said Chris Jones, executive vice president, industry at Descartes. “Declining container import volumes but rising port transit times demonstrate that, while 2023 volumes resemble 2019, global supply chain performance could remain uneven in 2023.”

After an upward move in January, Chinese imports into the U.S. returned to a downward trend in February 2023, according to Descartes. Compared to January 2023, imports from China decreased by 17.1 percent to 632,702 TEUs. Meanwhile, China represented 36.5 percent of the total U.S. container imports, a decline of 0.4 percent from the high of 41.5 percent in February 2022.

Descartes’ data shows that market share held by top West Coast ports and top East and Gulf Coast ports remained relatively stable. The Port of Los Angeles showed the greatest overall container volume decrease, representing 40 percent of the overall decline in TEU quantities among major ports. In total, the Los Angeles gateway saw TEUs drop 32 percent, the biggest dip among the 10 ports studied. The second largest U.S. harborer of containers, The Port of New York and New Jersey, saw a 9 percent decline in TEUs, likely due to the rerouting of goods in that direction as importers remain leery about the ongoing labor negotiations on the West Coast.

Source: sourcingjournal.com- Mar 08, 2023

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Australian cotton finds a new home as China trade ban drags on

Australia's cotton harvest has kicked off, with the industry working to shore up alternative export markets two-and-half years on from the China trade ban.

Currently, cotton grown in Australia is sent overseas to 15 different countries for processing including Vietnam, Indonesia, Thailand and India.

Previously, China had been the biggest market.

But after the 2020 fall out with China when Australian exporters were slapped with tariffs, the Australian industry began working to build stronger relationships with other countries.

Now, cotton merchants are looking to the Vietnamese textile industry to futureproof the trade.

With 39 per cent of the national crop, Vietnam is Australia's largest trading partner.

The Australian Cotton Shippers Association (ACSA) represents cotton merchants and recently sent a delegation to Vietnam and Thailand.

"The point of going over there is to promote Australian cotton, our attributes, our ability to ship and ship quickly," ACSA chairman Matthew Bradd said.

Promoting Australian cotton

Australia's proximity to Asian markets gives it a competitive edge over other top cotton exporters such as the United States and Brazil.

"You can ship to Vietnam in about 21 days, whereas the US and Brazil are further away," Mr Bradd said.

The ACSA is exploring options to promote Australian cotton in different ways including showcasing clothes made from Australian cotton in Vietnam International Fashion Week.

Mr Bradd said they were working with Vietnamese spinners to get the most out of spinning and dyeing Australian cotton fibre.

He said Australia's cotton was mostly irrigated, which made the fibre more consistent for processing.

"[They] will get more output from using Australian cotton."
Wet start to season

This year, Central Queensland is the first to harvest, with cotton pickers starting up in irrigated paddocks across the region.

Cotton Info extension officer Kim Stevens said rain earlier this year had caused issues with fruit losses so growers were waiting for the cotton to produce more before picking.

This had delayed the harvest.

"Where it usually would be pretty flat-out with picking, we're only seeing a small amount of pickers starting up in the past couple of weeks," Ms Stevens said.

"It probably won't be really busy picking up until probably May or June."

Even with wet weather causing issues, another bumper crop is forecast.

Cotton Australia chief executive Adam Kay said about 5.2 million bales were expected to be produced this season.

"There are some magnificent dryland or rain-grown crops, and there are some that are really struggling," he said.

"An inch or two inches of rain at the moment could really see that dryland crop explode."

Last year, Australian growers produced a national record of 5.5 million bales.

To put that in perspective, fewer than 590,000 bales were grown across the country in the 2020 season of drought.

Diversification of market

Under a recently brokered free trade agreement Australia can send duty free cotton to India.

Despite India being the world's second-largest producer of cotton, the South Asian country is Australia's third-largest export destination, with a current quota of 300,000 bales in place.

"They're one of the world's largest growers of cotton [but] sometimes they will need to import. "The Free Trade Agreement is good. It puts us ahead of other markets."

Mr Kay said losing China as a market forced the industry to rethink its strategy. China was 70 per cent, of our market. [The trade ban] showed that we weren't diversified enough," he said.

"Even if China comes back into the market, hopefully we can maintain all these markets. "It's important to have those options."

However, losing China meant losing premium prices.

"We're seeing that sort of comeback a little bit now as these other mills and markets get to know Australian cotton and are willing to pay a little bit more for it," Mr Bradd said.

"But it's not quite where the Chinese were."

The cotton industry is structured in such a way that farmers sell it to merchants who then sell it onto spinning mills, which will look for the highest price. That structure could result in China being a major export market again if the ban were lifted.

But Mr Bradd said there could still be opportunities to stay diversified.

"There might have been a shift in some of the supply chains with brands and retailers looking to diversify their supply chain out of China into other markets," he said.

Source: abc.net.au- Mar 09, 2023

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Japan's apparel imports from China at $13.8 bn in 2022

Japan's apparel imports from China reached $13.803 billion last year, with jerseys being the top product accounting for 21.15 per cent of the total imports. Trousers and shorts followed as the second most dominant product. China is one of the Far-East nation's prominent suppliers because of its geographical proximity and economic reasons.

Japan imported jerseys worth $2.680 billion in 2022, which constituted 21.15 per cent of the total imports. The inbound shipment of jerseys remained almost stable, with a 1.56 per cent increase from imports of $2.639 billion in 2021. However, 2021's imports were 12.01 per cent higher than the trade of 2020 when it stood at $2.356 billion after a decline of 12.82 per cent due to COVID-19, according to Fibre2Fashion's market insight tool TexPro.

Japan's imports of trousers and shorts were $2.085 billion, contributing to 16.45 per cent of the total imports from China. Among the top five products, shirts accounted for 10.72 per cent, innerwear 8.82 per cent, and T-shirts 7.56 per cent of the total. The top five products made up around 65 per cent of the total imports.

Japan's imports from China remained almost stable, with an inbound shipment of $13.804 billion in 2022 compared to the $13.878 billion in 2021. China's imports to Japan were $16.754 billion in 2017, which increased to $16.992 billion in 2018. However, it declined to $15.903 billion in 2019 and $13.342 billion in 2020, as per TexPro.

Source: fibre2fashion.com- Mar 09, 2023

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USA: T-Shirt Giant Teams with Oritain to Trace Cotton

Next Level Apparel is using forensic science to trace and verify the provenance of its products and raw materials.

The Los Angeles supplier of blank apparel known for its cotton sublimation T-shirts inked an exclusive partnership with forensic and data science company Oritain to trace its fiber origin. The development comes after Next Level Apparel recently committed to using only U.S.-grown cotton in a bid to ensure its raw material supply chain isn't linked to human rights violations.

Working with Oritain will help Next Level Apparel verify its cotton through scientific processes so customers have confidence in the origins of what they're buying. Investing in verification technology addresses the global cotton industry's heightened traceability challenges stemming from recent U.S. legislation targeting human rights and forced labor. Enhanced traceability will also aid in quality control, allowing the company to monitor supply chain partners that try to get away with blending cotton with lower-quality fibers.

"From our local roots in Southern California to our international consumer base, we are dedicated to creating an experience that advances our customers' mission while ensuring the integrity of the premium quality products we bring to market," Next Level Apparel CEO Randy Hales said. "We embrace the protection of our beautiful planet and are purposeful in finding the right options in every area of our operations."

"Partnering with Oritain reinforces this principle and highlights our commitment to sustainability and transparency in our supply chain," he added.

Under the terms of the agreement, Next Level Apparel will independently test textile products from its global supply chain to assess their integrity, quality and consistency. The science-backed systems will confirm the company's sustainability initiatives.

Oritain's technology precisely pinpoints the area down to a few meters where a product or raw material originated. Since 2008, the New Zealand-based company has developed the capacity to trace a wide variety of products and materials across environments and global geographies,

helping international businesses—from luxury goods labels to government organizations and food and wine businesses—confirm their ESG commitments in verifiable data while minimizing risk.

"Oritain uses cutting edge forensic science to help truly committed brands continuously evolve in their value chain transparency journey," said Rupert Hodges, Oritain's chief commercial officer. "We are excited to partner with Next Level Apparel, helping them verify the origin of their cotton to guarantee that it is not only the highest quality, enables them to accurately monitor the sustainability impacts at the raw material level and assisting us in our mission of avoiding unethical labor practices."

Source: sourcingjournal.com- Mar 08, 2023

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Sri Lanka Crisis Pits 'Survivability' Versus 'Subsistence Wages'

As Sri Lanka continues to be pummeled by economic upheaval and political turmoil, brands such as Gap, Nike and Calvin Klein owner PVH Corp. need to step up and take responsibility for the workers who are "paying the heaviest price" for the South Asian nation's currency and inflation ills, labor campaigners urge in a new report.

According to research published last week by the Clean Clothes Campaign (CCC), most workers haven't been receiving their full emergency relief allowance (ERA). As negotiated between unions and factories, the monthly sum of 10,000 Sri Lankan rupees ($30.31) was meant to help the sector's 350,000-strong workforce fill the breach between the rising cost of living and their depreciating wages. But a survey of more than 20 factories, most of them suppliers to the world's most popular brands, revealed that many have either failed to pay the complete sum or have drawn up conditions, such as perfect attendance, that disqualify a number of recipients.

In the months since the ERA was first disbursed, manufacturing orders from the West have declined due to tepid consumer demand and an inventory glut, the report noted. At the same time, prices paid to factories have not increased to reflect the devaluation. Suppliers, it said, have not only cut back on hours but most have ended or reduced their ERA payments to less than a third of the proposed amount, "even though inflation remains staggeringly high" at more than 50 percent.

Even with the addition of benefits such as a subsidized dry food package and a transportation allowance, the typical Sri Lankan garment worker, "in the best of cases," would at most receive 23,000 Sri Lankan rupees ($69.71), plus a set of discounted provisions, the CCC said.

"This is clearly an inadequate response to the severe economic and social crisis faced by Sri Lankan garment workers, the main producers of income for their very wealthy employers and of national income for the entire country," the organization wrote. Workers who were already eking "subsistence wages" are now living in poverty and "on the edge of starvation," it added. Public sector staff from the country's banks, hospitals and ports went on strike last week because hikes in income tax and power tariffs have likewise "made it difficult to live."

The organization said that one consequence of the "high degree" of concentration of apparel production in Sri Lanka is that a handful of brands and even fewer employers wield "tremendous power," something that should come with a corresponding degree of responsibility.

Of the 400 production sites, half are owned by just 10 companies. Nearly all of the facilities pump out merchandise for roughly a dozen U.S. and European brands, which besides Gap, Nike and PVH Corp., include Amazon, Asos, Columbia Sportswear, Marks & Spencer, Next, Patagonia, Ralph Lauren and Victoria's Secret. PVH Corp. had the biggest footprint, with production occupying 58 sites, according to a public supplier list from December.

Sri Lankan union leader Anton Marcus speaks out about how the current crisis in his country affects garment workers, who already earned poverty wages. Workers generally don't receive the full emergency wage top-up created to make them survive this crisis. https://t.co/kQ44shmSFL
— Clean Clothes (@cleanclothes) March 7, 2023

When CCC wrote to the companies in July and then September to ask what actions they were taking to "ensure the survivability" of the workers who make their clothing, as well as information about their sourcing and pricing policies, most didn't reply.

"Even the few responses we did receive were limited to general assurances and had little substantive content," it said. "In a few cases, the general assurances were accompanied by statements to the effect that sourcing levels and pricing policies were 'confidential business information' that could not be shared."

PVH Corp., which also owns Tommy Hilfiger, said that it wasn't contacted by the CCC and was therefore unaware of the allegations beforehand. The company said it takes the information presented by the report very seriously, however, and is investigating the matter.

A Patagonia representative told Sourcing Journal that its factories are "proactively taking steps" to support their workers through the crisis. Because its sewing partners are Fair Trade-certified, Patagonia pays a premium that goes into a fund controlled by workers. "Through the fair compensation workstream with the Fair Labor Association, we are deeply engaged in efforts to increase wages in Sri Lanka as well," the representative added. "Our partner factories pay above minimum wage

but also serve as key partners in our journey to achieve living wages as a whole."

Asos said that it has been engaging with CCC campaigners over the past year and that conversations with suppliers have evolved as the on-the-ground situation has changed. Toward the end of 2022, it extended its checks around the payment of monthly wages and social security to include specific questions about ERA payments, which the majority of its suppliers confirmed they were paying. The e-tailer has also made payment of an ERA a non-negotiable minimum requirement for all new factories it plans to onboard in Sri Lanka.

Similarly, Victoria's Secret said it continues to work with its partners in the country to ensure stability and that its sourcing strategy in the island nation remains unchanged. "No matter the circumstances, we hold our suppliers to the standards set forth in our supplier code of conduct and supplier guidebook, which include the demands outlined in this brief," a spokesperson for the lingerie maker said.

Columbia Sportswear, Gap, Marks & Spencer, Next, Nike and Ralph Lauren did not respond to requests for comment.

Yohan Lawrence, secretary general of the Joint Apparel Association Forum (JAAF), which represents Sri Lanka's garment manufacturers, said he takes issue with the way the CCC has framed the ERA. The payment, he said, was always voluntary. "There is no such payment that has been mandated by law, nor is there any requirement for a company to make any such payment," he told Sourcing Journal.

Whether under the label of an "ERA" or "any other terminology," factories have kept their employees at the "center of their business," Lawrence said. "At this time of economic hardship, all companies have made additional payments to employees based on their individual circumstances," he said, noting that they might take the form of monthly or quarterly lump sum payments, one-off cash payments, increases to the basic salary or discounted provisions.

"Companies have continued to provide relief to their employees through cash and non-cash benefits," Lawrence added. " In certain instances, these cash payments have since been amalgamated into the annual salary increments that have been done in the past few months."

In a formal statement that the JAAF released Wednesday, the group said that far beyond paying "subsistence wages," its members pay employees "well above" the minimum wage and have made "significant" cost of living adjustments to salaries "over and above" the annual increments.

"There is no doubt that the workers' hardships are real," it said. "The apparel industry will not be able to function without our workers, and JAAF has acknowledged the importance of its workers to the health, well-being and sustainability of the apparel industry and Sri Lanka's economy." The JAAF said that it is "prudent" to realize that Sri Lanka's crisis will not be "resolved overnight." Rather, it will take the "collective efforts" of lawmakers, workers, business owners and international stakeholders to achieve a "lasting and sustainable solution" that goes beyond emergency relief.

Still, the CCC says it's vital that brands publicly state what they have done and what they intend to do to ensure that workers in their supply chains receive the incomes they need to ride out the crisis, including the full ERA as demanded by unions. Furthermore, it said, brands must ensure that workers "enjoy the fundamental human rights guaranteed by international conventions and Sri Lankan law and act responsibly and transparently to assist the workers in this hour of need."

Brands have a responsibility to the workers that "enable their profits," said Anton Marcus, joint secretary of the Free Trade Zones & General Services Employees Union, a member of the CCC and the largest union representing garment workers in the country.

"They must ensure that the factories they source from pay their workers the 10,000-Sri Lankan rupee ERA. If factories are not able to do so, then brands should step in and contribute financially to make it possible," he said. "The Sri Lankan garment workers have contributed to making these brands rich, the least these brands can do is to ensure their workers get through this crisis."

Source: sourcingjournal.com- Mar 08, 2023

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Pakistan can minimise CAD by stimulating manufacturing sector

Boosting the manufacturing sector and increasing exports can be a key strategy for Pakistan to address its challenges related to the current account deficit, said an official.

“The manufacturing sector has a high potential to contribute to exports, as it can produce high-value goods that can compete in global markets,” Hamza Orakzai, Director of Strategic Planning and Regulatory Affairs, Special Technology Zones Authority (STZA), said while talking to WealthPK.

“Pakistan’s economy is gradually shifting towards highly skilled, modern, and productive industries. Today’s economy is less agricultural and more urban and service-oriented. Traditional industrial clusters have started exporting new products, while new industries such as information, communications, and technology (ICT) are emerging, but the path is uneven and slow compared to global trends,” he said.

Hamza said the growth is slow mainly due to lack of a strong foundation in manufacturing with little diffusion of new technologies, and the firms’ inability to access and adopt international best practices.

“For Pakistan, China-Pakistan Economic Corridor (CPEC) offers a rare opportunity to address some of the country’s long-standing bottlenecks to sustained economic growth,” he emphasised. The official said Pakistan’s textile sector offers attractive investment opportunities to Chinese investors because of its extensive potential for growth, particularly in its apparel and manufactured goods segments.

He said Pakistani firms, especially diversified conglomerates, are aggressively seeking access to Chinese finance and technology through joint ventures. He mentioned that many international brands are currently operating in Pakistan and working with local textile mills. “Investors are expected to benefit from the best possible incentives in SEZs, skilled and inexpensive labour, easy availability of raw material, competitive energy tariffs, low freight costs, and preferential access to European markets,” he emphasised.

He stressed the need for shared prosperity, adding that Pakistan and China should launch maximum joint ventures during the industrial phase of CPEC to enhance exports from this region. Hamza said innovation is also crucial for boosting the competitiveness of Pakistani manufacturers. However, he said, Pakistan lags behind other countries in terms of research and development and innovation. He said the government should enhance support for research and development, encourage collaboration between universities and businesses, and provide incentives for businesses that innovate.

"A multi-pronged approach and concerted effort from the government, private sector, and other stakeholders is required that involves investment in productivity, value addition, export facilitation, and innovation," he added. He said that boosting the manufacturing sector and increasing exports can promote sustainable economic growth and reduce Pakistan's dependence on foreign borrowing. According to Economic Survey of Pakistan, during the fiscal year 2021-22, large-scale manufacturing (LSM) with 9.2% share in the gross domestic product (GDP) dominated the overall manufacturing sector, accounting for 74.3% of the sectoral share, followed by small-scale manufacturing, which accounted for 2% of GDP, and 15.9% sectoral share. The third component, slaughtering, accounted for 1.2% of GDP with a 9.7% sectoral share.

Source: nation.com.pk- Mar 09, 2023

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Bangladesh's 3 RMG factories get LEED certified

Bangladesh's readymade garment (RMG) industry has been making strides in environmental sustainability with three more factories recently receiving the Leadership in Energy and Environmental Design (LEED) certification from the United States Green Building Council (USGBC).

The factories recognised for their green initiatives in apparel manufacturing were Energypac Fashions Extension Project in Gazipur Sadar and PN Composite Limited at Konabari in Gazipur, which received the platinum-rated certification, and Dhaka Garments and Washing Ltd at Dakshin Varnahati, Dhaka, which received the gold rated certification, according to local media reports.

Bangladesh is home to the top eight factories in the world and the top 53 factories out of the first 100 in the world. The country now has a total of 192 LEED certified factories, with 68 platinum-rated factories, as per the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Source: fibre2fashion.com- Mar 09, 2023

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Bangladesh's trade deficit shrinks by nearly 29% YoY from Jul-Jan 2023

Bangladesh's trade deficit has decreased by 28.8 per cent year-on-year (YoY) to $13.38 billion in the July-January period due to the central bank's import restrictions and the government's austerity measures to save dollars. However, the trade deficit has increased by 8.82 per cent from $12.3 billion in the first half of the financial year, as per the latest central bank data.

The country's exports in the same period rose by nearly 10 per cent YoY to $30.64 billion. Meanwhile, imports decreased by 5.66 per cent to $44.03 billion when compared to the same period the previous fiscal year. The current account deficit also reduced by almost 51 per cent to $5.03 billion, according to local media reports.

The current account balance shows a clear picture of a country's foreign transaction situation, including imports and exports as well as regular income and expenditure. If the account has a surplus, the country doesn't have to take on any debt for current transactions. But if there is a deficit, the country has to take a loan.

Bangladesh opened FY2022-23 with a record trade deficit of $33.24 billion and a current account deficit of $18.69 billion amid the Russia-Ukraine war. As the war's ripple effects continued to damage the country's economy, the authorities restricted spending and sought long-term support from the International Monetary Fund (IMF) and other agencies to prevent an economic crisis.

According to the IMF's country report on the approval of $4.7 billion in loans for Bangladesh, the country's current account deficit widened drastically to 4.1 per cent of the gross domestic product (GDP) in FY2022 from 1.1 per cent of GDP in FY2021. However, with strict import controls, the current account deficit is expected to improve to 3.2 per cent of GDP in FY2023.

Source: fibre2fashion.com- Mar 08, 2023

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India's manufacturing sector to have strict quality standards: Goyal

The Indian government is working to introduce quality standards on a larger scale to help the country's manufacturing sector, assured Union minister Piyush Goyal. Speaking at Massmerize 2023, organised by the Federation of Indian Chambers of Commerce and Industry (FICCI), Goyal opined that India is going to see more consumer demands driven by sustainability.

"In the next 2-3 years, we hope to significantly ramp up products that will have reasonably strict, but practical compulsory quality standards. This will help the manufacturing sector stand against irrational competition, increase scale of production, and become more competitive," Goyal, India's minister of commerce and industry, consumer affairs, food and public distribution, and textiles, said in a press release by the FICCI.

The minister stated that Open Network for Digital Commerce (ONDC) will help small retailers survive the onslaught of large tech-based e-commerce companies. The government is working towards encouraging small companies and startups to integrate into the e-commerce ecosystem with ONDC expected to democratise the benefits of e-commerce.

"The retail and FMCG industries hold the potential to be significant contributors to the economy besides also creating entrepreneurs as well as generating employment. E-commerce has expanded the reach of industry and ONDC will democratise access," said Subhrakant Panda, president, FICCI and managing director, IMFA Group.

Panda stated that given the rapid change in technology, the retail industry must continue to adapt as well as invest in digital transformation. FICCI is committed to foster a collaborative ecosystem and facilitate cross-industry partnerships which will drive innovation and growth, he noted.

"The rising income level for households is transforming India. The future of consumption in India will be led by growth of the middle income and high-income segments, which will grow to one in two households by 2030, from one in four households today.

While metros and emerging towns continue to drive economic growth, the rural per capita consumption is expected to grow faster than in urban areas showing the same consumption patterns as urban counterparts," said Subramaniam V, chair, FICCI retail and internal trade committee and director, Reliance Retail Ltd.

"India is on the cusp of exponential growth. We have come out stronger post the pandemic and are now building on the momentum of the last few years. By keeping our focus on delighting the consumers, boosting innovation, accelerating infrastructure growth, and curating meaningful partnerships, we can propel our growth as an economy and an industry—economically as well as socially," said LV Vaidyanathan, CEO and MD, P&G India and convenor, FICCI Massmerize.

Source: fibre2fashion.com- Mar 08, 2023

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Safeguard cotton yields from climate shocks

The importance of cotton in the Indian economy is enormous. Besides being one of the largest cotton producers globally, the sector provides livelihood to nearly 60 million people. In India, the top cotton producers are Maharashtra, Gujarat, and Telangana. The crop and the industry have deep connections with Maharashtra's political and social history; the first cotton mill was established in Mumbai, then Bombay, in 1851, and became operationalised in 1854.

Unfortunately, the cotton story appears to be faltering. According to a report in this newspaper on Tuesday, India turned into a net importer of cotton from being the world's second-largest overseas seller, a decline that experts attribute to waning productivity, shorter growing seasons, the climate crisis, higher demand (all of which have made clothing and non-apparel fabric pricier), lack of new seeds and modern irrigation facilities, and frequent pest attacks. In addition, growing seasons have shortened in states such as Maharashtra, dwindling yields, according to a June 2022 report by Cotton 2040, an outfit advocating a climate-resilient fibre industry.

Cotton productivity, which peaked at 566 kg lint per hectare in 2013-14, has continuously been decelerating, causing an imbalance in demand-supply of cotton and uncertainty in the cotton textile industry.

As a result, some farmers are switching to other crops because they can no longer count on cotton. The Union government has been cognisant of the crisis. Last year, the ministry of commerce and industry set up a textile advisory group to look into the cotton value chain. This year, the government has announced new steps to boost output to reverse stalling exports as the country's cotton import bill rocketed 200% in 2022-23.

Along with these steps, the government must also fix the structural deficits of the sector by going for a high-density planting system and a change in the cropping pattern to withstand the climate impact. But most importantly, there has to be more research on the impact of rising temperatures and declining rainfall on cotton production.

Source: hindustantimes.com- Mar 09, 2023

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GDP to grow at about 4 per cent in Q4: Report

Pencilling in just 4 per cent GDP growth for the fourth quarter, a rating agency report has said the final growth numbers for the full year will be lower than the second advance estimate of 7 per cent.

The economy grew at 13.2 per cent in the first quarter and 6.3 per cent in the second three-month period due to base effect and much lower than the consensus expectation of 4.4 per cent in the third quarter. To close the full fiscal with a 7 per cent growth, the GDP should deliver at least a 4.1 per cent uptick.

India Ratings analyst Paras Jasrai in a report said the agency expects GDP to print in at around 4 per cent in Q4, which would mean GDP growth for FY23 could be lower than 7 per cent but did not quantify the same.

The National Statistical Office, in its second advanced estimate, has retained GDP growth at 7 per cent for the full year, which factors in a growth of 5.1 per cent.

However, the agency sees many downside risks to this estimate, such as the pent-up demand, which had provided thrust to growth, is normalising; exports that had been buoyant are facing headwinds from the global slowdown and credit growth is facing tighter financial conditions.

Heatwaves forecast

The ongoing spell of elevated temperatures in the north in February has raised concerns regarding wheat production.

In addition, the Met department has warned of the plausibility of severe heatwaves during March-May. This can not only affect agricultural output, which has been pegged to grow at 4.3 per cent in Q4, but also keep inflation at elevated levels that can impact rural demand, which has been under stress since the pandemic, Jasrai explained.

The growth moderated to a three-quarter low of 4.4 per cent in Q3 as against the consensus projection of 5.1 per cent, pulled down by the poor show by manufacturing and exports, among others.

The gross value added (GVA), which is the value of production, grew 4.6 per cent in Q3. The difference between GVA and GDP is indirect taxes net of subsidies.

Though typically GDP growth is higher than GVA growth, the net taxes in Q3 were at a seven-quarter low of 1.4 per cent due to higher subsidies, and as a result, GVA growth in Q3 was higher than GDP growth.

Contracting economy

Since the base effects after the pandemic have complicated growth comparisons, a better way to analyse the numbers is to compare them with the pre-pandemic period (Q3 FY20) to ascertain recovery. Thus the compounded annual growth during Q3 FY20-Q3 FY23 stood at 3.7 per cent, which remains much lower than the comparative numbers of 5.4 per cent during Q3 FY17-Q3 FY20, as per the report.

Further confounding the growth expectations are the fall in merchandise exports, which contracted 6.6 per cent to $32.91 billion in January. This was the second successive month of contraction, mirroring an anaemic manufacturing activity.

Like exports, even merchandise imports fell 3.6 per cent in January to $50.66 billion, owing to a decline in commodity prices. This was the sharpest fall in 25 months. On the positive side, the trade surplus in services almost doubled to $16.48 billion in January from $8.39 billion a year ago. As a result, the overall trade deficit improved to $1.26 billion in January from $8.95 billion in January 2022, which was $6.65 billion in December 2022.

Another downside risk is the low liquidity in the banking system, after remaining in a huge surplus since the beginning of the pandemic. The liquidity in the banking system slowed to a four-month low of 0.43 per cent of the net demand and time liabilities in January from 0.53 per cent in December 2022 due to a robust credit demand in January.

Source: thehindubusinessline.com- Mar 08, 2023

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Loans to industry flat as MSME credit loses steam

The growth in the loans to the industry has stagnated with the banking sector clocking an 8.7% growth in January. The moderation is on account of the slower pace of growth in MSME credit, which was the main driver of the growth in loans since April.

Banks' credit to the medium industries grew 30% in November, 15% in December and 18% in January, data from the Reserve Bank of India (RBI) shows, while loans to micro and small industries has grown 20%, 14% and 15% in the respective months.

A large number of MSME loans are linked to the external benchmark like the repo. Hence with the repo rate going up, there has been an immediate increase in the borrowing cost, Bank of Baroda economist Aditi Gupta said. In the current tightening cycle, the RBI has increased repo rate by 225 basis points to 6.50%.

One of the reasons the MSME credit growth took off after 2020 was the flagship credit guarantee scheme launched by the government during the pandemic to aid businesses sustain during lockdowns. Recently, Union finance minister Nirmala Sitharaman reportedly met with the heads of banks to review the progress of the ECLGS scheme and discuss the possibility of another extension.

The scheme is set to expire on March 31. Under the scheme, banks have disbursed loans of up to `2.5 trillion to MSMEs as of September 30, the RBI said in its FSR report. The data also showed that distress continues in the MSME sector, with a sixth of accounts that availed funds under the ECLGS turning bad loan, the RBI said.

In the Union Budget 2023, the government has also announced an infusion of `9,000 crore in the Credit Guarantee Fund Trust for Micro and Small Enterprises to enable additional collateral-free guarantee credit of `2 trillion. Additionally, the RBI also expanded scope of its TReDS platform to boost credit to MSMEs.

In addition to the MSME sector, credit growth to large industries, too, has witnessed a moderation from 10.5% in November to 6.5% in January. A revival in consumer demand, rise in private capital expenditure and increased government spending can be triggers for industry credit growth,

analysts said. Sectorally, export-intensive segments such as gems & jewellery, leather, rubber, plastics and textiles decelerated. However, metals, cement and chemicals segments saw growth in January.

"Given that industry constitutes over 25% of total non-food credit, its pace of growth could turn out to be an incremental delta for overall non-food credit pick up. We believe industry growth will have to emerge as a key driver to boost credit expansion," brokerage ICICI Securities said in a report.

Source: financialexpress.com- Mar 09, 2023

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Spinning mills fret over clamp on CU India from certifying organic textiles

In a major hit to spinning mills in Tamil Nadu and other parts of the country, the International Organic Accreditation Service (IOAS) suspended the Control Union (CU) India last week from testing and sampling Indian organic textile products, on charges of irregularities in its certification process. Now, the industry bodies have approached the global accreditation body seeking a relief in the matter.

The Tamil Nadu Spinning Mills Association (TASMA) has approached IOAS, Global Organic Textile Standard (GOTS) and Textile Exchange for relief in this regard, asking them to allow the use of organic cotton or textile products certified by Control Union (CU) India before March 3. At present, organic cotton contributes to around 10 per cent of the total cotton produced in the country, according to the Tamilnadu Spinning Mills Association (Tasma).

"We request that the products of our member mills--organic cotton or organic cotton yarn or any other value-added product--which were made from the organic cotton that was already certified by the Control Union, whether with the Certification of the Control Union or Transaction Certificate of the Control Union issued prior to March 3, may not be anyway disturbed for any reason and the status quo may be ordered as such," said K Venkatachalam, chief advisor, Tasma, in a letter to IOAS, GOTS and Textile exchange.

The association added that for sourcing organic cotton in future, its members will try to identify new accreditation bodies. Production of organic cotton in India was 1.23 million metric tonnes (MMT), or 51 per cent of the global output of 2.40 MMT. Other major organic cotton producing countries include China, Kyrgyzstan, Turkey, Tajikistan, the US, Tanzania, Uganda, Greece, Benin, Peru, Burkina Faso, Pakistan, Egypt, Ethiopia, Brazil, Mali and Argentina.

"The accreditation granted to Control Union for issuing organic cotton certificates and transaction certificates, was suspended with effect from March 3, due to which even certified organic cotton sourced prior to March 3, based on the certificates already issued by the Control Union, is facing severe issues at all levels of value addition," Venkatachalam added.

Source: business-standard.com - Mar 08, 2023

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